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Office of the Legislative Auditor

SPECIAL PURPOSE AUDIT

REPORT ON STATE LONG-TERM FINANCIAL

OBLIGATIONS

This report contains information concerning the state's long-term financial obligations, including:

Principal and interest to be paid on bonded debt by maturity	\$1,824,000,000
Long-term commitments for Highway and Building Projects	139,000,000
Leases/Rental Payments	19,287,000
Compensated Leave Liability	<u>38,500,000</u>
Total of the above long-term financial obligations	<u>\$2,020,787,000</u>

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SPECIAL PURPOSE AUDIT

Special purpose audits are performed by the Office of the Legislative Auditor to address issues of concern or interest to Montana legislators.

This report contains information relating to the state's long-term obligations, especially its bonded debt. The report is intended to be a resource document for legislators and other decision-makers regarding the state's long-term obligations.

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE:

Senator Judy Jacobson, Chairman	Representative John Cobb,
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Senator Pat Goodover	Representative Dorothy Bradley
Senator Tom Keating	Representative Roland Kennerly
	Representative Bruce Simon

State of Montana

Office of the Legislative Auditor

REPORT ON STATE LONG-TERM FINANCIAL OBLIGATIONS

AT JUNE 30, 1985

Audit staff involved in this audit include:

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85-37

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STATE OF MONTANA

Office of the Legislative Auditor



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December 1985

The Legislative Audit Committee
of the Montana State Legislature:

This is our special purpose audit report on State Long-Term Financial Obligations. The object of this report is to present an overview of the historic, current and future obligations for the state of Montana bonded debt and disclosure of the state's other long-term financial obligations. This report is provided as a tool for use by the legislature in its decision making process.

We thank the staff of the various agencies which have bonded debt for their cooperation and assistance throughout the audit.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".
Scott A. Seacat
Legislative Auditor

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INTRODUCTION

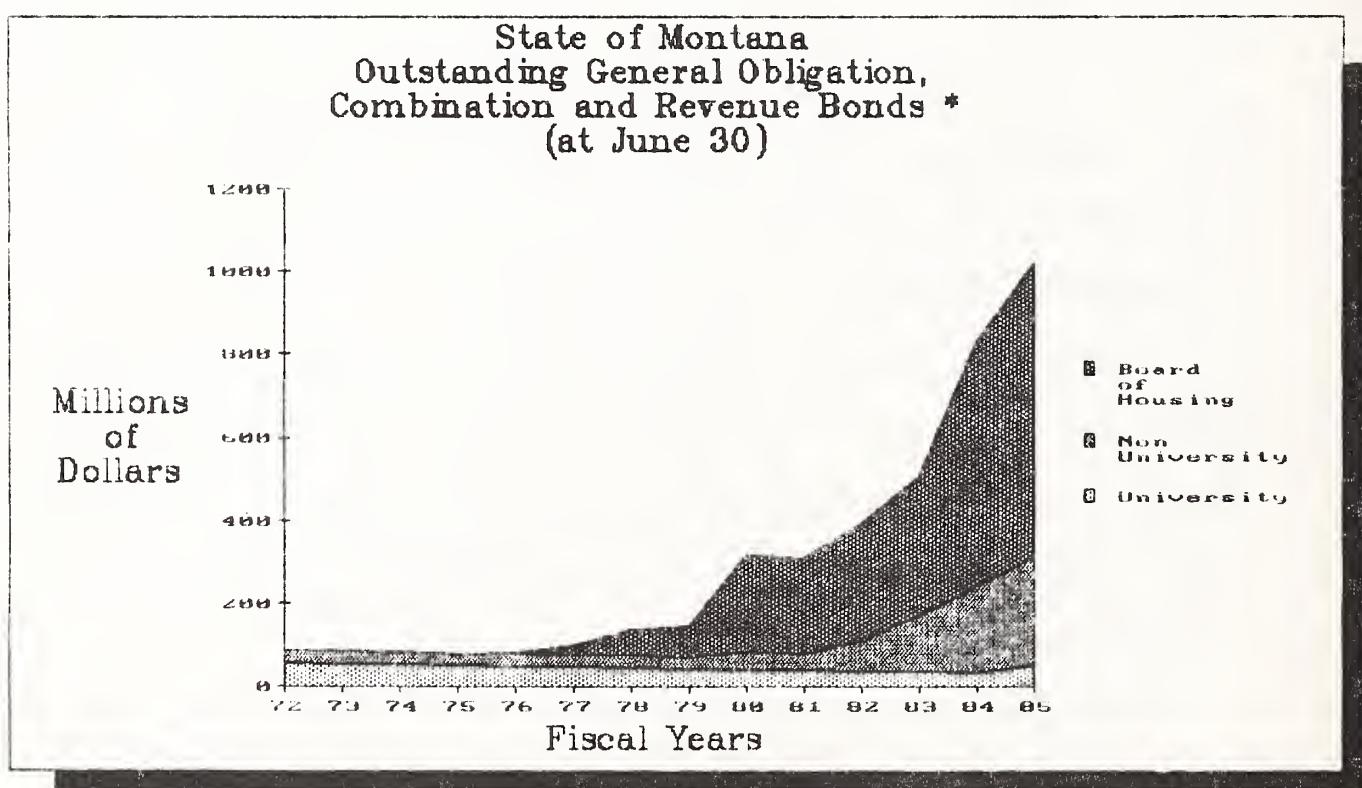
As of June 30, 1985, the total outstanding bonded debt of the various state agencies and universities was over \$1.02 billion. This is our second report on long-term obligations and updates the report dated November 1984. The object of this report is to present an overview of the historic, current, and future obligations for the bonded debt of the State of Montana to be used as a tool by the legislature in its decision making process. Also contained in this report is disclosure of the state's long-term obligations which relate to leases, long-term contracts, compensated leave, and outstanding loans (see Schedule 6, page 16). State commitments for contracts relating to projects for state highway and building construction total \$139,182,654.

Since June 30, 1985, \$448,743,268 of additional bonded debt has been issued (see Schedule 5, page 15). These subsequent issues refunded \$106,710,000 of the debt outstanding at June 30, 1985. The difference of \$342,033,268 should be considered by the reader in addition to the \$1,022,223,449 on Schedule 1.

The 1889 Constitution stated the only way the State could incur debt of over \$100,000 was by vote of the majority of the electors. The 1972 Constitution now requires that two-thirds vote of each house or a vote of the majority of electors is necessary to incur State debt with no dollar limitations. In addition to the aforementioned constitutional authority, the Board of Regents has the authority to issue revenue bonds to be financed by income producing facilities such as dormitories.

Illustration 1 is provided to show the change in bonded debt since the adoption of the 1972 Constitution. This graph summarizes the information contained in Schedule 4, pages 10 through 14.

Illustration 1



* Schedule 1 on page 7 discloses the bonds outstanding by type at June 30, 1985.

Board of Housing bonds are all revenue bonds. Non-University bonds consist of general obligation (G.O.), combination, and revenue bonds. University bonds consist of combination and revenue bonds.

Source: Prepared by the Office of the Legislative Auditor

BONDED DEBT INFORMATION

Bonding is a method of credit financing over a specified period of time. Bonds may be sold (issued) to meet immediate cash needs. The issued bonds are then repaid with interest. We included as Appendix A a glossary of terms relating to bonded debt for reference purposes (page 19).

Schedule 1, found on page 7, classifies the bonds authorized, issued, and outstanding by type and by agency. The types of bonds are:

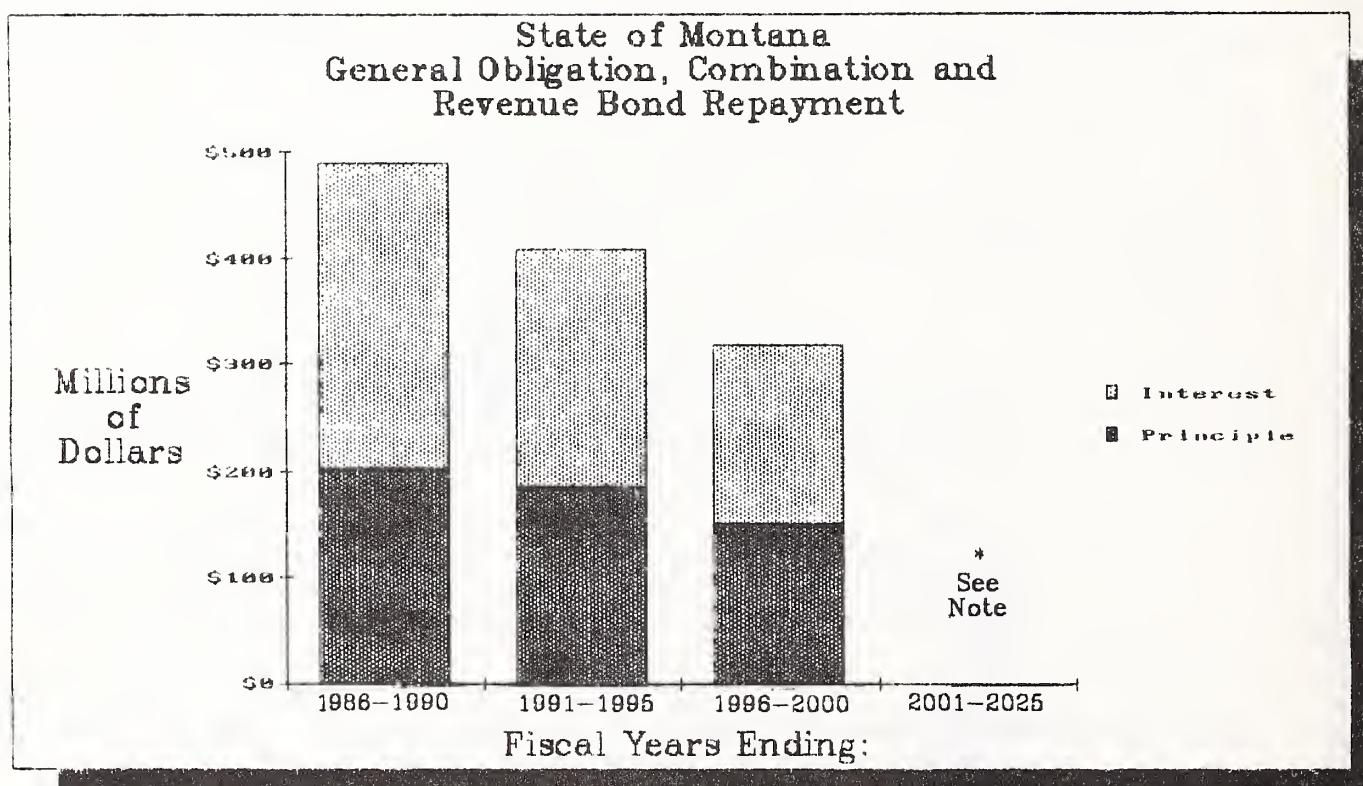
1. General Obligation Bonds - Bonds which are supported by a pledge of the full-faith and credit and taxing power of the State.
2. Combination Bonds - Bonds which are payable by a government enterprise but which are also backed by the full-faith and credit and taxing power of the State.
3. Revenue Bonds - Bonds which are payable exclusively from revenue generated from the project being financed or other revenue sources specifically earmarked for the debt retirement.

The schedule references the bond authority to specific title, chapter, and section of the law authorizing it.

Following the Schedule of Bonds Authorized, Issued, and Outstanding at June 30, 1985, are schedules of bond interest and principal payments for: (A) fiscal years 1986, 1987, 1988, 1989, and 1990 (Schedule 2, page 8); and (B) five year increments until the fiscal year ending 2000, then the remaining payments until the entire principal has been paid (Schedule 3, page 9). These schedules are presented in order to show the future revenue required to meet present bond obligations for all types of bonds.

Illustration II summarizes the information presented on Schedule 3 detailed by principal and interest.

Illustration II

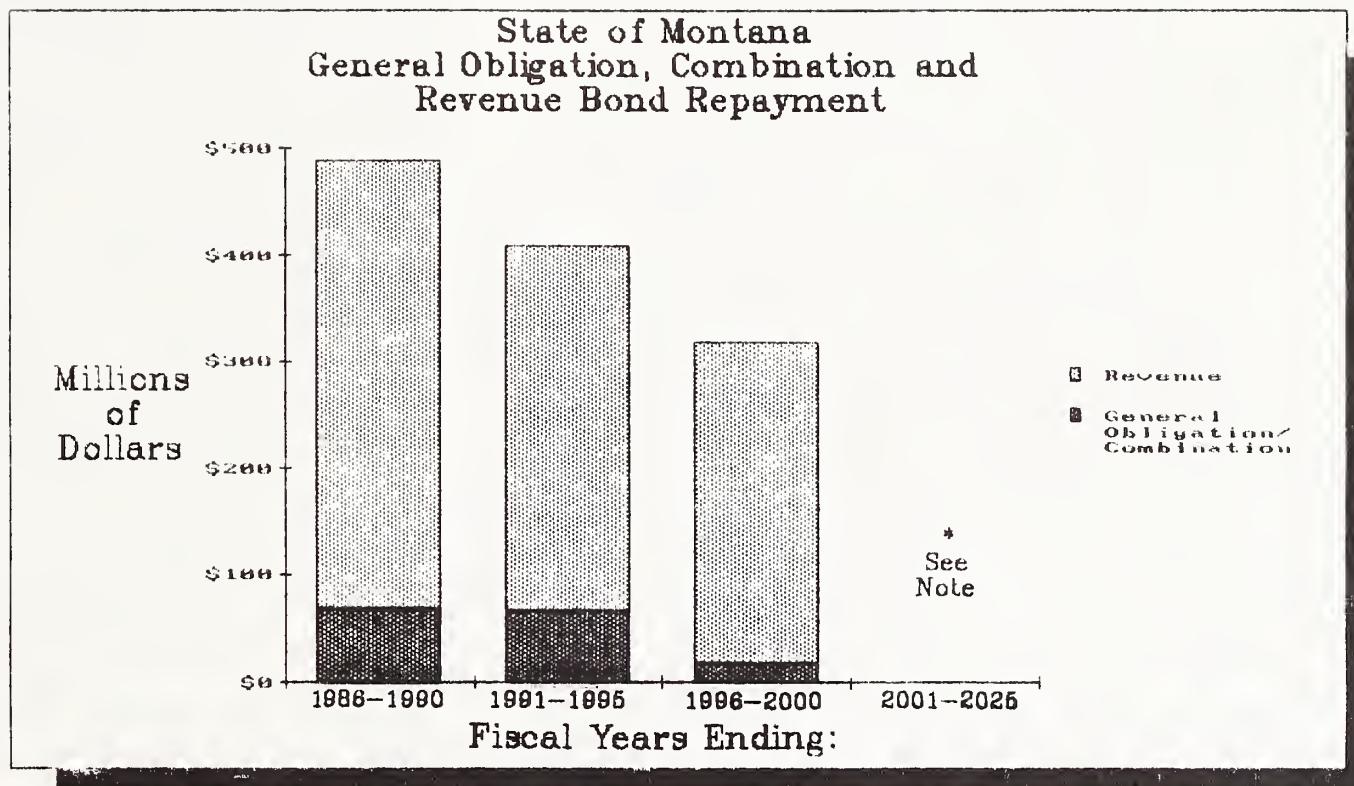


* Note: Total amount remaining for:
Interest \$128,707,000
Principal \$475,188,000

Source: Prepared by the Office of the Legislative Auditor

Illustration III discloses the bond repayment information from Schedule 3 by type of bond (General Obligation, Combination, and Revenue).

Illustration III



* Note: Total amount remaining:

Revenue \$598,178,000
GO/Combination \$ 7,717,000

Source: Prepared by the Office of the Legislative Auditor

PRIOR AUDIT RECOMMENDATIONS

While performing the audit work for our report on long-term financial obligations of the State of Montana, we reviewed the status of prior audit recommendations. Our last report contained three recommendations. One recommendation dealt with indenture compliance and was implemented. A second recommendation addressed a constitutional issue concerning the Board of Regents' authority to refund bonds at an interest rate higher than allowed by law.

This recommendation has not been acted upon and will be addressed in the regularly scheduled financial-compliance audit of the Board of Regents.

The final recommendation was to establish a central file for bond information. We commend the Department of Administration (DofA) and the Board of Regents for their efforts in centralizing bond information. Audit staff observed copies of resolutions, indentures, official statements, arbitrage certificates, and other documentation for the Board of Regents 1985 issuances at DofA.

SCHEDULES OF STATE LONG-TERM FINANCIAL OBLIGATIONS

DEFINITIONS OF ABBREVIATIONS

BOH	Board of Housing
BAN	Bond Anticipation Notes
DofA	Department of Administration
DNRC	Department of Natural Resources and Conservation
EMC	Eastern Montana College
ESD	Unemployment Insurance Division of the Department of Labor and Industry
FMHA	Farm Home Administration
GO	General Obligation
LRBP	Long-Range Building Program
MCA	Montana Codes Annotated
MSU	Montana State University
MCMST	Montana Tech - Montana College of Mineral Sciences and Technology
NMC	Northern Montana College
PERS	Public Employees' Retirement System
SUB	Student Union Building
UofM	University of Montana
WMC	Western Montana College

STATE OF MONTANA - BONDED DEBT
SCHEDULE OF BONDS AUTHORIZED, ISSUED, AND OUTSTANDING AT JUNE 30, 1985

MCA		MCA Authorized Limits	Indentures Authorized	Issued	June 30, 1985		Type
					Outstanding		
90-6-111	Department of Commerce						
	Board of Housing						
	Capital Appreciation Bonds	\$ 975,000,000*	\$552,505,000	\$ 552,505,000 ¹	\$ 500,045,000		Revenue
17-5-1506	Economic Development Bond	75,000,000*	13,095,519	208,175,000 ¹	208,175,000		Revenue
17-5-1606	Municipal Finance Consolidation	25,000,000*	3,650,000	3,650,000	3,650,000		Revenue
60-11-1103	Railroad Rehabilitation	25,000,000*					
60-11-1203	Rolling Stock	75,000,000*					
90-7-302	Health Facilities Authority	50,000,000* ⁴	41,500,000	41,500,000	41,500,000		Revenue
17-9-913	Department of Highways						
BAN	1983 Series ⁵ Revenue	150,000,000	150,000,000	64,000,000	64,000,000		Revenue
	1983 Series ⁵			39,075,000	39,075,000		
17-5-604	Department of Labor and Industry						
17-5-614	PERS #1	1,055,928	891,000	891,000	117,939		Revenue
	PERS #2	499,000	499,000	499,000	111,032		Revenue
85-1-301	Department of Natural Resources and Conservation						
	Water Projects	534,600	534,600	534,600	431,678		Revenue
17-5-301	Department of Administration						
	1983 Series A Refunding		58,160,000	58,160,000			
17-5-414	1983 Series B LRB ³	39,334,695 ³	39,330,000	39,330,000			
85-1-617	1983 Series C Water Development	5,000,000 ³	1,300,000	1,300,000			
	Total 1983 Series						
85-1-617	1984 Series A Water Development		900,000	900,000	93,630,000	GO	
17-5-503	1976 Highway	7,400,000	7,400,000	7,400,000	900,000	GO	
17-5-706	Water Development Coal Tax ⁵	250,000,000* ² ³	10,485,000	10,485,000	5,045,000	Combined	
90-2-127	Renewable Resources	5,000,000*			10,485,000	Revenue	
80-12-301	Agricultural Loan Authority	40,000,000 ^t	193,800	193,800	193,800		Combined
	University of Montana ⁵						Revenue
20-25-402	1984 Building Fee		3,745,000	3,745,000	3,620,000		Revenue
20-25-402	1984 Auxiliary Enterprise Facilities		4,980,000	4,980,000	4,980,000		Revenue
20-25-402	Montana State University						
	1984 PE/Refunding		9,260,000	9,260,000	9,260,000		Revenue
20-25-402	1984 Series B		9,920,000	9,920,000	9,920,000		Revenue
20-25-402	1984 Revenue Series A		9,000,000	9,000,000	8,850,000		Revenue
20-25-402	Northern Montana College						
	Series A B C D F G H ⁵ - 1972 Revenue		3,547,000	3,547,000	2,625,000		Revenue
20-25-402	Eastern Montana College						
	1984		7,380,000	7,380,000	7,380,000		Revenue
20-25-402	Montana College of Mineral Science & Technology						
	1984		7,145,000	7,145,000	7,145,000		Revenue
20-25-402	Western Montana College						
	1966 Series A B C D		1,676,000	1,676,000	721,000		Revenue
20-25-402	1967 Series A B		636,000	636,000	363,000		Revenue
	GRAND TOTAL	\$1,723,824,223	\$937,732,919	\$1,085,887,400	\$1,022,223,449		

*The Legislature has established upper limits on the amount of bonds that may be authorized and issued at any point in time. Each individual issue must be authorized by the approving authority defined in the law.

¹Difference between authorized and issued is \$195,079,481 of Capital Appreciation Bonds. The face value of the Capital Appreciation Bonds is \$208,175,000. The bonds were issued at a discount and the difference of \$195,079,481 represents the discount in lieu of future interest payments on the bonds.

²Out of the \$250,000,000 limit, \$152,042,163 has been authorized by the Legislature to be issued.

³Even though there is a limit set, each project has to be approved by two-thirds vote of the Legislature.

⁴A limit of \$150,000,000 is set for each biennium starting July 1, 1985.

⁵Bonds have been issued subsequent to June 30, 1985 - see Schedule 5 for details.

STATE OF MONTANA BONDED DEBT
BOND REPAYMENT SCHEDULE FOR FISCAL YEARS 1986 THROUGH 1990, INCLUSIVE

Schedule 2

	1986			1987			1988			1989			1990		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Board of Housing															
Single Family I	\$ 2,500,000	\$ 3,141,456	\$ 5,641,456	\$ 2,490,000	\$ 3,026,831	\$ 5,516,831	\$ 2,555,000	\$ 2,910,321	\$ 5,465,321	\$ 2,490,000	\$ 2,788,361	\$ 5,278,361	\$ 2,270,000	\$ 2,667,121	\$ 4,937,121
Single Family II	11,010,000	38,363,082	49,373,082	11,700,000	37,642,204	49,342,204	12,140,000	36,864,604	49,004,604	12,690,000	36,028,962	48,718,962	13,080,000	35,126,152	48,206,152
Multi-Family	120,000	1,103,771	1,223,771	100,000	1,098,634	1,198,634	105,000	1,092,523	1,197,523	115,000	1,086,101	1,201,101	120,000	1,079,059	1,199,059
Department of Highways 1983 Revenue				4,898,063	4,898,063	11,075,000	4,524,281	15,599,281	11,825,000	3,721,844	15,546,844	12,680,000	2,801,837	15,481,837	13,665,000
Bond Anticipation Notes 1983	39,075,000		39,075,000												1,763,887
Department of Labor and Industry															
ESD (PERS #1)	52,097	8,883	60,980	56,009	4,715	60,724	2,926	234	3,160						
(PERS #2)	50,565	9,435	60,000	54,610	5,390	60,000	12,764	1,021	13,785						
Department of Natural Resources															
Water Conservation Revenue Bonds	11,705	16,609	28,314	12,170	16,144	28,314	12,653	15,661	28,314	13,156	15,158	28,314	13,679	14,635	28,314
CST Water Development Series 84 "A"	190,000	1,004,260	1,194,260	205,000	990,467	1,195,467	220,000	974,948	1,194,948	235,000	957,760	1,192,760	255,000	938,512	1,193,512
Department of Administration															
Refunding 83 "A"	625,000	5,153,108	5,778,108	700,000	5,093,483	5,793,483	650,000	5,032,733	5,682,733	700,000	4,971,983	5,671,983	750,000	4,906,733	5,656,733
LR8P 83 "B"	4,480,000	2,344,948	6,824,948	4,935,000	2,052,628	6,987,628	5,315,000	1,716,655	7,031,655	5,735,000	1,340,745	7,075,745	6,180,000	889,508	7,069,508
Water Development 83 "C"	160,000	75,745	235,745	170,000	65,505	235,505	185,000	53,868	238,868	200,000	40,770	240,770	210,000	25,260	235,260
Water Development 84 "A"		78,363	78,363		78,363	78,363		78,363	78,363	50,000	76,144	126,144	50,000	71,625	121,625
Highway 1976	340,000	247,945	587,945	360,000	232,645	592,645	380,000	216,085	596,085	405,000	197,845	602,845	425,000	178,000	603,000
University of Montana															
1984 Building Eee	120,000	363,388	483,388	130,000	354,988	484,988	145,000	345,238	490,238	155,000	333,638	488,638	165,000	325,231	490,231
1984 Auxiliary Enterprise Facilities	75,000	496,761	571,761	80,000	491,136	571,136	90,000	484,936	574,936	100,000	477,736	577,736	100,000	469,536	569,536
Northern Montana College															
Series A 8 C D E F G H	84,000	78,222	162,222	90,000	75,594	165,594	93,000	72,830	165,830	96,000	70,009	166,009	97,000	67,095	164,095
Eastern Montana College															
1984 A	150,000	716,675	866,675	160,000	705,125	865,125	170,000	692,537	862,537	185,000	678,550	863,550	200,000	662,950	862,950
Montana State University															
1984 Series A	170,000	833,963	1,003,963	180,000	822,575	1,002,575	195,000	809,432	1,004,432	210,000	794,488	1,004,488	225,000	777,895	1,002,895
1984 Series B	40,000	1,008,163	1,048,163	40,000	1,005,513	1,045,513	45,000	1,002,531	1,047,531	45,000	999,156	1,044,156	50,000	995,412	1,045,412
1984 Refunding	95,000	907,116	1,002,116	100,000	900,654	1,000,654	105,000	893,604	998,604	115,000	885,616	1,000,616	125,000	876,304	1,001,304
Montana College of Mineral Science and Technology															
1984 A	75,000	705,269	780,269	80,000	700,131	780,131	85,000	694,350	779,350	95,000	687,588	782,588	100,000	679,906	779,906
Western Montana College															
1966 Series A 8 C D	58,000	21,586	79,586	35,000	20,170	55,170	35,000	19,070	54,070	35,000	17,970	52,970	35,000	16,870	51,870
1967 Series A 8	22,000	14,149	36,149	23,000	13,260	36,260	23,000	12,345	35,345	25,000	11,389	36,389	25,000	10,391	35,391
Health Facilities Authority										100,000	*	100,000	100,000	*	100,000
Economic Development Board	20,000	368,443	388,443	70,000	367,043	437,043	75,000	361,793	436,793	90,000	355,793	445,793	100,000	348,233	448,233
Agricultural Loan Authority	8,918	*	8,918	9,739	*	9,739	10,636	*	10,636	11,614	*	11,614	12,683	*	12,683
GRAND TOTAL	\$59,532,285	\$61,959,403	\$121,491,688	\$32,855,528	\$60,287,479	\$93,143,007	\$34,474,979	\$58,067,526	\$92,542,505	\$36,575,770	\$55,617,599	\$92,193,369	\$38,353,362	\$52,890,315	\$91,243,677

*These bonds have variable interest rates that cannot be projected at the present time.

¹These totals will change as the interest rate on the variable rate bonds are determined.

Source: Prepared by the Office of the Legislative Auditor

STATE OF MONTANA - BONDED DEBT
BOND REPAYMENT SCHEDULE FOR FISCAL YEARS 1986 THROUGH 2025

	1986 - 1990						1991 - 1995						1996 - 2000						2001 - 2025						Grand Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total			
Board of Housing																											
Single Family I	\$ 12,305,000	\$ 14,534,090	\$ 26,839,090	\$ 11,135,000	\$ 11,633,613	\$ 22,768,613	\$ 12,130,000	\$ 17,350,718	\$ 29,480,718	\$ 20,840,000	\$ 7,132,005	\$ 27,972,005	\$ 56,410,000	\$ 50,650,426	\$ 107,060,426												
Single Family II	60,620,000	184,025,004	244,645,004	78,340,000	159,077,662	237,417,662	106,015,000	119,969,139	25,984,139	183,560,000	84,691,921	268,251,921	428,535,000	547,763,726	976,298,726												
Capital Appreciation Bond (CA8)	560,000	5,460,088	6,020,088	705,000	5,276,069	5,981,069	1,000,000	5,013,245	6,013,245	198,086,599 ²	14,263,199	198,086,599 ²	198,086,599 ²	15,100,000	30,012,601	45,112,601											
Multi-Family	49,245,000	17,709,912	66,954,912	14,755,000	608,644	15,363,644																					
Department of Highways 1983 Revenue Bond Anticipation Notes	39,075,000		39,075,000																								
Department of Labor and Industry																											
ESD (PERS #1)	117,939	15,846	133,785																								
(PERS #2)	111,032	13,832	124,864																								
Department of Natural Resources																											
Water Conservation Revenue Bonds	63,363	78,207	141,570	66,388	65,041	131,429	72,228	52,477	124,705	229,699	49,407	279,106	431,678	245,132	676,810												
CST Water Development Series 84 "A"	1,105,000	4,865,947	5,970,947	1,635,000	4,314,165	5,949,165	2,540,000	3,352,253	5,892,253	5,205,000	1,750,956	6,955,956	10,485,000	14,283,321	24,768,321												
Department of Administration																											
Refunding 83 "A"	3,425,000	25,158,040	28,583,040	34,790,000	18,412,938	53,202,938	13,985,000	3,563,180	17,548,180	5,110,000	2,606,941	7,716,941	57,310,000	49,741,099	107,051,099												
LRBP 83 "B"	26,645,000	8,344,484	34,989,484	8,525,000	548,639	9,073,639																					
Water Development 83 "C"	925,000	261,148	1,186,148	225,000	8,325	233,325																					
Water Development 84 "A"	100,000	382,858	482,858	650,000	223,888	873,888	150,000	6,675	156,675																		
Highway 1976	1,910,000	1,072,520	2,982,520	2,535,000	544,500	3,079,500	600,000	30,000	630,000																		
University of Montana																											
1984 Building Fee	715,000	1,722,483	2,437,483	1,110,000	1,336,588	2,446,588	1,795,000	625,313	2,420,313																		
1984 Auxiliary Enterprise Facilities	445,000	2,420,105	2,865,105	680,000	2,195,481	2,875,481	1,080,000	1,797,469	2,877,469	2,775,000	1,263,675	4,038,675	3,620,000	3,684,384	7,304,384												
Northern Montana College																											
Series A 8 C D E F G H	460,000	363,750	823,750	537,000	288,153	825,153	563,000	203,588	766,588	1,065,000	315,481	1,380,481	2,625,000	1,170,972	3,795,972												
Eastern Montana College																											
1984 A	865,000	3,455,837	4,320,837	1,315,000	3,008,338	4,323,338	2,105,000	2,215,575	4,320,575	3,095,000	794,588	3,889,588	7,380,000	9,474,338	16,854,338												
Montana State University																											
1984 Series A	980,000	4,038,353	5,018,353	1,460,000	3,560,938	5,020,938	2,290,000	2,668,000	4,958,000	4,120,000	1,689,000	5,809,000	8,850,000	11,956,291	20,806,291												
1984 Series 8	220,000	5,010,775	5,230,775	330,000	4,901,476	5,231,476	585,000	4,704,872	5,289,872	8,785,000	5,907,847	14,692,847	9,920,000	20,524,970	30,444,970												
1984 Refunding	540,000	4,463,294	5,003,294	805,000	4,198,024	5,003,024	1,270,000	3,728,159	4,998,159	6,645,000	4,356,587	11,001,587	9,260,000	16,746,064	26,006,064												
Montana College of Mineral Science and Technology																											
1984 A	435,000	3,467,244	3,902,244	655,000	3,248,584	3,903,584	1,035,000	2,867,113	3,902,113	5,020,000	3,204,262	8,224,262	7,145,000	12,787,203	19,932,203												
Western Montana College																											
1966 Series A B C O	198,000	95,666	293,666	180,000	67,675	247,675	176,000	39,145	215,145	167,000	16,225	183,225	721,000	218,711	939,711												
1967 Series A 8	118,000	61,534	179,534	145,000	35,288	180,288 ¹	100,000	6,169	106,169																		
Health Facilities 1984 Series A				23,500,000	*	23,500,000 ¹																					
1985	200,000	*	200,000 ¹	500,000	*	500,000 ¹	1,200,000	*	1,200,000 ¹	16,100,000	*	16,100,000 ¹	23,500,000	*	23,500,000												
Economic Development Board	355,000	1,801,305	2,156,305	640,000	1,591,033	2,231,033 ¹	1,140,000	1,204,133	2,344,133 ¹	1,515,000	665,190	2,180,190 ¹	18,000,000	*	18,000,000												
Agricultural Loan Authority	53,590	*	53,590 ¹	83,234	*	83,234 ¹	22,599	*	22,599 ¹	34,377	*	34,377 ¹	34,377	*	34,377 ¹	193,800	*	*	193,800								
GRAND TOTAL	\$201,791,924	\$288,822,322	\$490,614,246 ¹	\$185,301,622	\$225,145,062	\$410,446,684 ¹	\$149,853,827	\$169,397,223	\$319,251,050 ¹	\$475,187,675	\$128,707,284	\$603,894,959 ¹	\$1,012,135,048	\$812,071,891	\$1,824,206,939 ¹												

*These bonds have variable interest rates that cannot be projected at the present time.

¹These totals will change as the interest on the variable rate bonds are determined.

²The CAB, if held to maturity, would be \$208,175,000; however, the official statement requires mandatory early retirement of some of these bonds.

Source: Prepared by the Office of the Legislative Auditor

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972)

	1985			1984			1983		
	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding
BOH - Single Family I	\$ 975,000,000		\$ 56,410,000			\$ 58,960,000			\$ 61,415,000
- Single Family II		\$ 75,002,290	428,535,000			511,925,000			262,330,000
- Multi-Family			15,100,000			15,160,000			15,245,000
- Capital Appreciation			208,175,000						
Economic Development Bond		3,650,000	3,650,000						
Municipal Finance Consolidation							\$ 75,000,000		
Railroad Rehabilitation							25,000,000		
Rolling Stock									
Highways - 1983			64,000,000						
Bond Anticipation Notes			39,075,000						
Labor - ESD (PERS #1)			117,939						
(PERS #2)			111,032						
DNRC									
Various FMHA Bonds			431,678						
DofA	8,550,000						444,941		
Refunding 1983 "A"			57,310,000						
LRBP 1983 "B"			35,170,000						
Water Projects 1983 "C"	10,000,000		1,150,000						
1984 Series A Water Dev.		900,000	900,000						
MCMST (6) 1978									
Highways 1976			5,045,000				2,060,000		
LRBP - Series - I 1965							5,370,000		
- II 1967									2,100,000
- IIA 1969									5,675,000
- III 1970									4,145,000
- IV 1970									6,515,000
- V 1970									
Water Development Coal Tax		10,485,000	10,485,000						
Renewable Resources									
Health Facilities	150,000,000	41,500,000	41,500,000						
Agricultural Loan Authority	40,000,000	193,800	193,800						
Series 1980							50,000,000		
Series 1981							200,000,000		
Total Non-University	<u>1,183,550,000</u>	<u>131,731,090</u>	<u>967,359,449</u>	<u>-0-</u>	<u>389,885,000</u>	<u>796,108,971</u>	<u>539,334,695</u>	<u>149,000,000</u>	<u>472,493,133</u>
UofM - 1956							10,779,000		
- 1963									11,229,000
- 1971									3,100,000
- 1959									
- 1953 "A"									54,000
- 1956 "B"									
- 1955 "A"									
- 1984 Building Fee			3,620,000	\$ 3,745,000		3,745,000	3,745,000		
- 1984 Auxiliary									
Enterprise Facilities	4,980,000	4,980,000	4,980,000						
MSU - 1954									
- 1956									1,350,000
- 1963									1,350,000
- 1971									12,061,000
- 1984 PE Refunding	9,260,000	9,260,000	9,260,000						
- 1984 Series B	9,920,000	9,920,000	9,920,000						
- 1984 Series A			8,850,000						
MCMST - Butte - 1958									
- 1970									102,000
- 1984	7,145,000	7,145,000	7,145,000						950,000
WMC - 1966									
- Series A & B 1967									786,000
EMC - Apsaruke									372,000
- Cisel									142,000
- EMCE									
- Petro									175,000
- 1984	7,380,000	7,380,000	7,380,000						2,991,000
NMC - 1972 (Series A-4)									
- 1970 B			2,625,000						
Total University	<u>38,685,000</u>	<u>38,685,000</u>	<u>54,864,000</u>	<u>12,745,000</u>	<u>12,745,000</u>	<u>35,868,500</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>39,488,000</u>
Grand Total University and Non-University	<u>\$1,222,235,000</u>	<u>\$170,416,090</u>	<u>\$1,022,223,449</u>	<u>\$12,745,000</u>	<u>\$402,630,000</u>	<u>\$831,977,471</u>	<u>\$540,684,695</u>	<u>\$150,350,000</u>	<u>\$511,981,133</u>

Source: Prepared by the Office of the Legislative Auditor

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972) - (Continued)

	1982			1981			1980		
	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding
BOH - Single Family I			\$ 63,955,000	\$ 675,000,000			\$ 66,345,000		\$ 68,280,000
- Single Family II	\$55,000,000	202,395,000					149,120,000	\$150,000,000	150,000,000
- Multi-Family	1,945,000	15,330,000					13,470,000	8,660,000	13,525,000
- Capital Appreciation									
Economic Development Bond									
Municipal Finance Consolidation									
Railroad Rehabilitation									
Rolling Stock									
Highways - 1983									
Bond Anticipation Notes									
Labor - ESD (PERS #1)		329,185					412,458		489,563
(PERS #2)		248,250					285,417		319,830
DNRC									
Various FMHA Bonds		464,188					483,855		493,134
DofA			31,550,505						
Refunding 1983 "A"									
LRBP 1983 "B"									
Water Projects 1983 "C"			5,000,000						
1984 Series A Water Dev.									
MCMST (6)- 1978		2,140,000					2,175,000		2,210,000
Highways 1976		5,965,000					6,240,000		6,500,000
LRBP - Series - I 1965		4,435,000					4,715,000		4,985,000
- II 1967		6,845,000					7,160,000		7,460,000
- IIIA 1969									
- III 1970									
- IV 1970									
- V 1970									985,000
Water Development Coal Tax			250,000,000						
Renewable Resources									
Health Facilities									
Agricultural Loan Authority									
Series 1980		18,715,000					18,930,000	\$19,130,000	19,130,000
Series 1981	36,550,000	36,550,000	34,115,000						
Total Non-University	36,550,000	93,495,000	354,936,623	961,550,505	-0-		269,336,730	19,130,000	177,790,000
									274,377,527
UofM - 1956		11,636,000					12,016,000		12,416,000
- 1963		1,040,000					1,150,000		1,205,000
- 1971		2,230,000					2,285,000		2,335,000
- 1959		72,000					90,000		108,000
- 1953 "A"		26,000					71,000		111,000
- 1956 "B"		6,000					18,000		25,000
- 1955 "A"									
- 1984 Building Fees									
- 1984 Auxiliary									
Enterprise Facilities									
MSU - 1954		11,818,000					12,362,000		12,885,000
- 1956									
- 1963		3,675,000					3,845,000		3,865,000
- 1971		1,545,000					1,590,000		1,635,000
- 1984 PE Refunding									
- 1984 Series B									
- 1984 Series A									
MCMST - Butte - 1958		116,000					122,000		128,000
- 1970		1,005,000					1,030,000		1,055,000
- 1984									
WMC - 1966		896,000					951,000		1,001,000
- Series A & B 1967		413,000					432,000		451,000
EMC - Apsaruke		161,000					170,000		179,000
- Cisel									
- EMEC		338,000					415,000		490,000
- Petro		3,211,000					3,316,000		3,416,000
- 1984									
NMC - 1972 (Series A-4)		2,870,000					2,946,000		3,021,000
- 1970 B									
Total University	-0-	-0-	41,058,000	-0-	-0-		42,809,000	-0-	44,326,000
Grand Total University and Non-University	\$36,550,000	\$93,495,000	\$395,994,623	\$961,550,505	\$-0-		\$312,145,730	\$19,130,000	\$177,790,000
									\$318,703,527

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972) - (Continued)

	1979			1978			1977		
	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding
BOH - Single Family I	\$375,000,000	\$13,600,000	\$ 69,645,000		\$35,060,000	\$56,530,000		\$21,470,000	\$ 21,470,000
- Single Family II				4,865,000		4,865,000		4,865,000	
- Multi-Family									
- Capital Appreciation									
Economic Development Bond									
Municipal Finance Consolidation									
Railroad Rehabilitation	25,000,000								
Rolling Stock	75,000,000								
Highways - 1983									
Bond Anticipation Notes									
Labor - ESD (PERS #1)				560,957		627,062			688,270
(PERS #2)				351,695		381,199			408,517
DNRC									
Various FMHA Bonds				502,061		84,600		510,652	
DofA	12,000,000							\$2,255,000	432,358
Refunding 1983 "A"									
LRBP 1983 "B"									
Water Projects 1983 "C"									
1984 Series A Water Dev.									
MCMST (6) 1978			2,245,000		2,275,000				
Highways 1976			6,745,000		6,975,000				7,195,000
LRBP - Series - I 1965			5,245,000		5,495,000				5,735,000
- II 1967			7,745,000		8,015,000				8,275,000
- IIA 1969									
- III 1970									
- IV 1970			1,570,000		3,060,000				4,475,000
- V 1970			1,675,000		2,330,000				2,950,000
Water Development Coal Tax									
Renewable Resources									
Health Facilities									
Agricultural Loan Authority									
Series 1980									
Series 1981									
Total Non-University	487,000,000	13,600,000	101,149,713	-0-	42,284,600	91,063,913	2,255,000	21,470,000	51,629,145
UofM - 1956			12,801,000			13,171,000			13,526,000
- 1963			1,300,000			1,390,000			1,480,000
- 1971			2,380,000			2,430,000			2,475,000
- 1959			126,000			143,000			156,000
- 1953 "A"			172,000			176,000			216,000
- 1956 "B"			36,000			46,000			56,000
- 1955 "A"						2,000			2,000
- 1984 Building Fees									
- 1984 Auxiliary									
Enterprise Facilities									
MSU - 1954			13,805,000			14,280,000			15,364,000
- 1956			101,000			101,000			161,000
- 1963			3,885,000			4,035,000			4,180,000
- 1971			1,675,000			1,715,000	1,875,000		1,750,000
- 1984 PE Refunding									
- 1984 Series B									
- 1984 Series A									
MCMST - Butte - 1958			134,000			140,000	182,000		146,000
- 1970			1,075,000			1,095,000			1,114,000
- 1984									
WMC - 1966			1,051,000			1,101,000			1,141,000
- Series A & B 1967			469,000			486,000	636,000		503,000
EMC - Apsaruke			188,000			196,000			204,000
- Cisel			562,000			630,000			695,000
- EMCE			3,516,000			3,611,000			3,701,000
- Petro									
- 1984			3,096,000			3,169,000			3,257,000
NMC - 1972 (Series A-4)									
- 1970 B									
Total University	-0-	-0-	46,372,000	-0-	-0-	47,917,000	2,693,000	-0-	50,127,000
Grand Total University and Non-University	\$487,000,000	\$13,600,000	\$147,521,713	\$-0-	\$42,284,600	\$138,980,913	\$4,948,000	\$21,470,000	\$101,756,145

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972) - (Continued)

	1976		1975		1974				
	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding
BOH - Single Family I	\$75,000,000								
- Single Family II									
- Multi-Family									
- Capital Appreciation									
Economic Development Bond									
Municipal Finance Consoli- dation									
Railroad Rehabilitation									
Rolling Stock									
Highways - 1983									
Bond Anticipation Notes									
Labor - ESD (PERS #1)	\$ 744,944			\$ 797,421			\$ 846,010		
(PERS #2)	433,812			457,234			478,920		
DNRC									
Various FMHA Bonds									
DofA									
Refunding 1983 "A"									
LRBP 1983 "B"									
Water Projects 1983 "C"									
1984 Series A Water Dev.									
MCMST (6) 1978									
Highways 1976	\$7,400,000	\$7,400,000	7,400,000						
LRBP - Series - I 1965			5,965,000				6,185,000		
- II 1967			8,520,000				8,755,000		
- IIIA 1969							415,000		
- III 1970			5,820,000				6,675,000		
- IV 1970			3,540,000				4,100,000		
- V 1970									
Water Development Coal Tax									
Renewable Resources									
Health Facilities									
Agricultural Loan Authority									
Series 1980									
Series 1981									
Total Non-University	<u>7,400,000</u>	<u>7,400,000</u>	<u>32,862,205</u>	<u>80,000,000</u>	<u>-0-</u>	<u>27,828,981</u>	<u>-0-</u>	<u>450,000</u>	<u>30,074,930</u>
UofM - 1956									
- 1963			13,756,000				14,201,000		
- 1971			1,570,000				1,655,000		
- 1959			2,515,000				2,550,000		
- 1953 "A"			169,000				182,000		
- 1956 "B"			251,000				286,000		
- 1955 "A"			65,000				74,000		
- 1984 Building Fees			2,000				2,000		
- 1984 Auxiliary									
Enterprise Facilities									
MSU - 1954									
- 1956			15,923,000				16,860,000		
- 1963			568,000				653,000		
- 1971			4,448,000				4,613,000		
- 1984 PE Refunding			1,785,000				1,820,000		
- 1984 Series B									
- 1984 Series A									
MCMST - Butte - 1958									
- 1970			152,000				157,000		
- 1984			1,130,000				1,145,000		
WMC - 1966									
- Series A & B 1967			1,191,000				1,231,000		
EMC - Apsaruke									
- Cisel			519,000				535,000		
- EMCE			212,000				220,000		
- Petro			757,000				817,000		
- 1984			3,791,000				3,876,000		
NMC - 1972 (Series A-4)									
- 1970 B			3,342,000				3,406,000		
Total University	<u>-0-</u>	<u>-0-</u>	<u>52,146,000</u>	<u>-0-</u>	<u>-0-</u>	<u>54,283,000</u>	<u>-0-</u>	<u>-0-</u>	<u>56,130,000</u>
Grand Total University and Non-University	<u>\$7,400,000</u>	<u>\$7,400,000</u>	<u>\$85,008,205</u>	<u>\$80,000,000</u>	<u>\$-0-</u>	<u>\$82,111,981</u>	<u>\$-0-</u>	<u>\$450,000</u>	<u>\$86,204,930</u>

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972) - (Continued)

	1973			1972		
	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>
BOH - Single Family I						
- Single Family II						
- Multi-Family						
- Capital Appreciation						
Economic Development Bond						
Municipal Finance Consolidation						
Railroad Rehabilitation						
Rolling Stock						
Highways - 1983						
Bond Anticipation Notes						
Labor - ESD (PERS #1)	\$ 891,000	\$ 891,000	\$ 891,000			
(PERS #2)	499,000	499,000	499,000			
DNRC						
Various FMHA Bonds						
DofA		2,500,000			\$ 5,500,000	
Refunding 1983 "A"						
LRBP 1983 "B"						
Water Projects 1983 "C"						
1984 Series A Water Dev.						
MCMST (6) 1978						
Highways 1976						
LRBP - Series - I 1965			6,600,000			\$6,795,000
- II 1967			9,190,000			9,390,000
- IIA 1969						**
- III 1970			2,765,000			**
- IV 1970			6,675,000			**
- V 1970			5,130,000			**
Water Development Coal Tax						
Renewable Resources						
Health Facilities						
Agricultural Loan Authority						
Series 1980						
Series 1981						
Total Non-University	<u>3,890,000</u>	<u>1,390,000</u>	<u>31,750,000</u>	<u>5,500,000</u>	<u>-0-</u>	<u>32,255,000</u>
UofM - 1956			14,926,000		17,399,000	15,271,000
- 1963			1,905,000		2,468,000	1,980,000
- 1971			2,610,000		2,640,000	2,640,000
- 1959			208,000		310,000	221,000
- 1953 "A"			343,000		800,000	421,000
- 1956 "B"			93,000		200,000	99,000
- 1955 "A"			2,000		425,000	2,000
- 1984 Building Fees						
- 1984 Auxiliary						
Enterprise Facilities						
MSU - 1954		2,000,000	17,659,000		21,548,000	16,720,000
- 1956			753,000		1,600,000	798,000
- 1963			5,168,000		6,078,000	5,443,000
- 1971			1,875,000		1,875,000	1,875,000
- 1984 PE Refunding						
- 1984 Series B						
- 1984 Series A						
MCMST - Butte - 1958			167,000		182,000	172,000
- 1970			1,175,000		1,200,000	1,190,000
- 1984						
WMC - 1966			1,311,000		1,676,000	1,351,000
- Series A & B 1967			564,000		636,000	578,000
EMC - Apsaruke			235,000		330,000	242,000
- Cisel			35,000		300,000	52,000
- EMCE			930,000		1,270,000	983,000
- Petro			4,036,000		4,501,000	4,116,000
- 1984						
NMC - 1972 (Series A-4)			3,489,000		3,547,000	\$3,547,000
- 1970 B						3,547,000
Total University	<u>-0-</u>	<u>2,000,000</u>	<u>57,484,000</u>	<u>68,985,000</u>	<u>3,547,000</u>	<u>57,701,000</u>
Grand Total University and Non-University	<u>\$3,890,000</u>	<u>\$3,390,000</u>	<u>\$89,234,000</u>	<u>\$74,485,000</u>	<u>\$3,547,000</u>	<u>\$89,956,000</u>

** Information related to the authorized amounts for the LRBP series 1965-1970 is not readily available.

LONG TERM DEBT
BOND ISSUES SUBSEQUENT TO JUNE 30, 1985
AND THROUGH DECEMBER 31, 1985

	<u>Issued</u>	1986 - 1990			1991 - 2007			<u>Grand Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
Economic Development Board								
Cash Anticipation								
Financing Program Bonds	\$ 18,575,000	\$18,575,000	\$ 1,106,760	\$ 19,681,760				\$ 19,681,760
Industrial Development								
Revenue Bonds	4,925,000	490,000	2,003,456	2,493,456	\$ 4,435,000	\$ 4,512,983	\$ 8,947,983	11,441,439
Series 1985 GO Bonds	10,650,000	5,175,000	7,885,982	13,060,982	5,475,000	6,852,594	12,327,594	25,388,576
DNRC Coal Severance Tax								
Water Development Bonds	16,865,000	1,605,000	6,898,674	8,503,674	15,260,000	14,220,572	29,480,572	37,984,246
Board of Housing 1985 A	39,999,625	4,370,000	13,463,916	17,833,916	54,826,113	47,608,371	102,434,484	120,268,400
Board of Regents								
MSU, UofM, EMC, Equipment	9,090,000	3,930,000	2,661,987	6,591,987	5,160,000	737,465	5,897,465	12,489,452
Montana State University ²	29,110,000		12,713,591	12,713,591	29,110,000	43,872,074	72,982,074	85,695,665
Department of Highway BAN ¹	43,675,000	<u>43,675,000</u>	<u>5,753,886</u>	<u>49,428,886</u>				<u>49,428,886</u>
TOTAL		<u>\$77,820,000</u>	<u>\$52,488,252</u>	<u>\$130,308,252</u>	<u>\$114,266,113</u>	<u>\$117,804,059</u>	<u>\$232,070,172</u>	<u>\$362,378,424</u>
EMC Refunding ³	\$ 7,330,000*							
EMC Revenue	3,300,000*							
MSU (Museum of the Rockies)	6,530,000*							
UofM ⁴	11,093,643*							
Board of Housing 1985 B	75,000,000*							
Board of Housing 1985 B1, B2	85,000,000*							
G O Water Development	1,000,000							
DNRC Coal Severance Tax								
Water Development Bonds	11,500,000*							
Economic Development Board	8,200,000							
Health Facilities Authority ⁵	<u>66,900,000</u> *							
Total Subsequent Issued	<u>\$448,743,268</u>							

*These bonds were also issued subsequent to June 30, 1985. However repayment schedules and exact amount of issuance were not yet available.

¹These BANS will pay off the 1983 BANS total of \$39,075,000

²Refunded 1984 PE/Refunded, 1984 series B, 1984 series A total of \$28,030,000

³Refunded 1984 total of \$7,380,000

⁴Refunded 1984 Building Fee, 1984 Auxiliary Enterprise Facility total of \$8,725,000

⁵Refund 1985 total of \$23,500,000

This results in a total increase to the June 30, 1985 outstanding of \$342,033,268.

SCHEDULE OF OTHER LONG-TERM COMMITMENTSAT JUNE 30, 1985CONTRACTS

The state has major long-term commitments for unperformed contracts. As of June 30, 1985, material commitments were related to projects for state highway and building construction in the following amounts:

Department of Highways Contracts	\$112,715,000
Department of Administration	
Architecture and Engineering Division Contracts	\$ 26,467,654

COMPENSATED ABSENCES

Upon retirement or termination, state employees are paid 100 percent of unused vacation leave and 25 percent of unused sick leave. As of June 30, 1985, the state's liability for unused vacation and sick leave for employees was:

University and Vocational Technical Centers	\$12.2 million
All Other State Agencies	26.3 million
Total	<u>\$38.5 million</u>

This liability is calculated based on all state employees terminating or retiring on June 30, 1985. The amount represents both the current and long-term portion of the liability associated with compensated absences.

LEASES/RENTAL PAYMENTS

The State has entered into various capital and operating leases for land, buildings, and equipment. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected that in the normal course of operations most of these leases will be replaced by similar leases.

Future minimum lease payments under capital leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount (In \$000s)</u>
1986	\$ 2,127
1987	2,025
1988	2,511
1989	1,767
1990	1,717
After 1990	6,795
Total minimum lease payments	<u>16,942</u>
Less interest	<u>(5,214)</u>
Present value of minimum lease payments	<u><u>\$11,728</u></u>

Future rental payments under operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount (In \$000s)</u>
1986	\$2,034
1987	1,931
1988	1,232
1989	669
1990	347
After 1990	<u>1,346</u>
Total future rental payments	<u><u>\$7,559</u></u>

LOANS

The Department of Labor and Industry had an outstanding loan payable to the Federal Unemployment Trust Fund in the U.S. Treasury at June 30, 1985. The loan was issued during fiscal years 1982-83 and 1983-84 to pay unemployment benefits. It became payable within three years of the issue date. The amount outstanding at June 30, 1985 was \$17,441,557. The Department of Labor and Industry made payment in full of \$17,441,557 in September 1985.

APPENDIX A - GLOSSARY

Bond. A written promise to pay a specified sum of money, called the face value (par value) or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

Bond Anticipation Notes (BANS). Short-term interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are retired from the proceeds of the bond issue to which they are related.

Capital Appreciation Bonds. A bond issued at a discount which is payable at face value in a lump sum at the maturity date. The difference between the proceeds from the issuance and the face value represents the discount in lieu of future interest payments on the bonds.

Combination Bond. A bond issued by a government which is payable from the revenues of a governmental enterprise but which is also backed by the full faith and credit of the government.

Debt Service Fund. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Formerly called a Sinking Fund.

Debt Service Fund Requirements. The amounts of revenue which must be provided for a Debt Service Fund so that all principal and interest payments can be made in full on schedule.

Debt Service Reserve Fund. A fund created from the proceeds of a bond issue and/or the excess of applicable revenues to provide a ready reserve to meet current debt service payments should moneys not be available from current revenues. The amount of such debt service reserve fund is frequently established at the average annual debt service level; however, in some cases, it may be at the highest annual debt service amount or, in others, at twice the annual interest costs.

Defease. To discharge the lien of an ordinance, resolution, or indenture relating to a bond issue and, in the process, rendering inoperative restrictions under which the issuer has been obliged to operate. Ordinarily an issuer may defease an indenture requirement by depositing with a trustee an amount sufficient fully to pay all amounts under a bond contract as they become due.

Full-faith-and-credit debt. Two definitions presented.

*A pledge of the general taxing power for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or full faith and credit bonds.

**All long-term obligations for which the credit of the government, implying power of taxation, is unconditionally pledged. This category is further subclassified under two headings as follows:

- (a) General obligations. Full-faith-and-credit debt other than that payable initially from nontax revenue (but including debt payable in the first instance from particularly earmarked taxes).
- (b) Debt payable initially from specified nontax revenue. Long-term debt amounts payable in the first instance from some specific source of nontax revenue.

Indenture. The formal agreement between a group of bondholders, acting through a trustee, and the issuer as to the terms and security for the debt. Ordinarily, it involves the placement of a lien upon either the income, property, or both, being acquired from expenditure of the proceeds of the bond issue.

Industrial Revenue Bonds. Bonds issued by governments, the proceeds of which are used to construct facilities for a private business enterprise. Lease payments made by the business enterprise to the government are used to service the bonds. Such bonds may be in the form of general obligation bonds, combination bonds, or revenue bonds.

Long-term Debt. Debt with a maturity of more than one year after the date of issuance.

Refunding Bonds. Bonds issued to retire bonds already outstanding. The refunding bonds may be sold for cash and outstanding bonds redeemed in cash, or the refunding bonds may be exchanged with holders of outstanding bonds.

Revenue Bonds. Bonds whose principal and interest are payable exclusively from earnings of an Enterprise Fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the Enterprise Fund's property. The term revenue bonds is currently used in the municipal bond market to comprehend almost all bonds other than general obligation bonds.

